

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
SEPTEMBER 17, 1996
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board ("Board") held its Regular Meeting on September 17, 1996 in the auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120/1 et seq.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder, Byron G. Cudmore, Gayl S. Pyatt and Robert F. Vickrey.

Also in attendance were: Administrator Michael A. Belletire, Deputy Administrators Joseph C. Haughey, Kevin Lockhart and Thomas Swoik, Chief Legal Counsel Mareile' B. Cusack, other members of the staff, the media, the general public and interested parties.

Chairman Johnson called the meeting to order at 9:30 a.m. Member Pyatt moved **that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matters:**

- 1. Issues Concerning Applicants and Licensees**
- 2. Recommendations of Administrative Law Judges**
- 3. Pending and Probable Litigation Matters**
- 4. Investigatory Matters**
- 5. Personnel Matters**
- 6. Closed Session Minutes**

Member Browder seconded the motion. The Board adopted the motion by unanimous consent.

The Board reconvened in Open Session at 12:13 p.m.

Member Browder moved **that the Board approve the minutes from the open and closed sessions of the August 20, 1996 regular meeting.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Chairman Johnson announced that the October meeting date would be moved from October 29 to October 30. No objections were stated.

The next order of business was the Administrator's Report.

Administrator Belletire reported that Adjusted Gross Receipts ("AGR") for August 1996 totaled \$89.9 million, the lowest AGR figure since February, 1995, down slightly more than \$1 million (approx. 1%) from July 1996.

A review of the boat by boat figures shows a significant drop off for both Joliet operations. Empress fell below last month's historic low and is down 38 percent from its August 1995 level. Harrah's improved slightly from July, but is down 23 percent from its total a year ago. The Administrator stated that both operations are heavily affected by Indiana activity.

Attendance showed positive increases for both Harrah's and Empress. In response to a question asked by Chairman Johnson, Administrator Belletire stated that the WIN per Admission at the Hammond, IN operation is about \$34.00 -- less than the total for Illinois. Elgin bettered its year ago totals by \$1.2 million. The downstate operators were down from year ago comparisons; none of the downstate operations performed materially better in August than they did in July.

Other monthly information showed no significant developments. Eight of the ten licensees were able to cruise 75% of the time.

Administrator Belletire noted that on Wednesday, September 18, the Board will convene in open session and participate in a conference on the economic impact of riverboat gambling in Illinois.

Administrator Belletire stated that staff received a letter from Representative Cal Skinner, requesting to know whether the Board prohibits staff from accepting gifts of a certain value. The Administrator responded to this request on the Board's behalf. The response discussed the Board's Code of Conduct provisions. A copy of the response was distributed to the Board.

Administrator Belletire announced that the Player's Board of Directors underwent a substantial change. The Merv Griffin Group has exercised its prerogative to appoint new members of the Board of Directors, as well as new operating personnel. None of the transactions require Board approval as Mr. Griffin, and the majority of the Board members, are already approved as Key Person/shareholders.

Chairman Johnson commented on the monthly statistical reports and the impact of the Indiana licensees on the Chicago area licensees. He stated that the impact has been dramatic. Mr. Johnson further commented that he is interested in the trend line that will occur over time.

The next order of Business was Items Concerning Owner Licensees.

Steve Norton, representing Argosy Gaming Corporation, stated that they are the first Illinois licensee to complete five years of gaming in Illinois and that they have thoroughly enjoyed the five years and continue to enjoy serving the clientele who visit their facility. Mr. Norton stated that they completed a \$235 million 13¹/₄% mortgage note in June, 1996. This transaction required that they repay a \$100 million line of credit, of which, only \$45 million was outstanding as of December, 1995. Mr. Norton stated that \$94 million of the \$235 is in a special account earmarked for the Lawrenceburg, IN project. If for some reason the Lawrenceburg project is not completed, the funds remaining would be refunded to mortgage holders.

Mr. Norton stated that corporate loses in the first and second quarters were primarily caused by write-offs of the Lawrenceburg pre-opening costs and higher than anticipated interest costs on the borrowed money. Argosy also suffered a decline in revenues in Kansas City with the opening of Sam's Town Casino and Harrah's second facility in that market.

Mr. Norton stated that in 1995, Alton Belle staff helped with the apprehension of three individuals who had been using a device called a "monkey paw" to "rip-off" slot machines throughout the country. He noted that Argosy Gaming is looking to improve the Alton property. It is negotiating with the city to add 600 parking spaces at the park adjacent to the Alton Belle as well as widening the access road and street approaching the riverboat. It is also exploring ways to expand the seating capacity in the property's dining and entertainment facilities. The company believes these improvements are necessary, given added competition coming early next year.

Argosy has donated \$160,000 to area charities, schools, churches and non-profit organizations. It currently employs 875 people. Over 90 percent of the employees live in the State of Illinois, 250 are from Alton of which 24% are minorities.

Argosy has checked 19,530 ID's and turned away 804 patrons (4% of those checked) over the past year.

Mr. Norton requested a one year renewal of their owner's license.

Chairman Johnson asked if Argosy had entered into their vessel lease with HP, Inc. Mr. Norton stated that the transaction is complete and the boat is at the East Dubuque site. Administrator Belletire stated that the HP, Inc. vessel is currently the former Alton Belle I. It became operational September 16. The out-going Silver Eagle vessel is being detained in East Dubuque until IGB staff has ascertained that the gaming equipment is properly secured.

Member Vickrey asked how long Argosy's temporary operating certificate was extended in Indiana. Mr. Norton responded that the certificate is carried through January of 1997. Argosy has agreed that, if through any fault of its own, the Indiana

boat is not operational by December 1, 1996, Argosy would pay a daily penalty to the State of Indiana, in lieu of gaming taxes. Argosy hopes to commence operations early November, but is waiting on final approval from the Corps. of Engineers.

Member Vickrey asked how long Argosy's Indiana boat can operate at the temporary site. Mr. Norton responded that the law states it can only be there one year. Member Vickrey asked if both the temporary and permanent sites were close to Lawrenceburg. Mr. Norton stated that both sites are inside the Lawrenceburg city limits (behind the levy). There is approximately 500 to 600 yards between the two sites.

Member Vickrey asked how many positions Argosy would open with at the temporary site. Mr. Norton stated that there will be close to 900 slot machines and about 40 table games. He noted that the permanent boat will be double those figures.

Donna B. More, representing Circus Circus, requested approval of Kurt D. Sullivan as a Director.

Member Browder moved **that the Board approve Kurt D. Sullivan as a Director of Circus Circus Enterprises, Inc.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

John A. Janicik, representing Casino Queen, requested approval of Thomas Monaghan as Assistant to the General Manager.

Member Browder moved **that the Board approve Thomas Monaghan as a Level 1 occupational licensee of Casino Queen Inc.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Nick Pritzker, of Hyatt Development representing Elgin Riverboat Resorts ("ERR"), discussed the formation of the Grand Victoria Foundation ("Foundation"). The purpose of the Foundation is to provide funding for worthy education, economic development and environmental projects and programs in Elgin, Kane County and the State of Illinois. As part of ERR's initial application for ownership, it agreed to a profit sharing of 20 percent of their net profits. ERR has reached a point where it is prepared to begin distribution of these funds. He noted that annual contributions could equal or exceed \$20 million.

Mr. Richard Schulze, Vice Chairman of Hyatt Development, discussed the formation of the Foundation. He stated that 37.5 percent of the 20 percent will go directly to the Kane County Board. The balance of the commitment, 62.5 percent, will be paid directly to the Foundation, an Illinois not-for-profit corporation. The Foundation will have a seven member Board of Directors. Initially, three members of the Board will be from the community of Elgin, two representing Circus Circus (from Las Vegas) and two representing Hyatt (from Chicago). They will work with people from the city of Elgin to help in the decision making process. The commitment from the Grand Victoria Casino to the Foundation will be governed by a contract to be executed by the

Foundation and Elgin Riverboat Resorts. A separate contract will govern the commitment entered into with the Kane County Board. A Spring 1997 date is expected for the presentation of the initial awards.

Member Cudmore asked if the resolution referred to on page 5 of the Agreement was the Kane County Board Resolution 93-237. Mr. Schulze indicated it was. The resolution, passed in 1993, identifies the types of programs that would be eligible for funding by the County Board.

Member Vickrey commented on the tendency for development projects to be concentrated in close proximity to the casinos. Little development is undertaken farther out into the communities. He feels this does not speak well for the industry nor does it speak well for the local governments that host the owner licensees. Mr. Vickrey expressed his desire to see more local government officials at future meetings. He also encouraged projects that can be “walked, photographed and looked at” to reflect how monies were spent from riverboat casinos. Mr. Schulze concurred. Mr. Schulze stated that discussions have taken place regarding the establishment of an endowment to guarantee long term results.

Chairman Johnson commended Elgin Riverboat Resort for their efforts in creating the Foundation.

The next order of business concerned Occupational Licensees.

Member Cudmore moved **that the Board approve 115 applications for an Occupational License, Level 2, and 249 applications for an Occupational License, Level 3, and deny 3 applications for an Occupational License, Level 2, and 11 applications for an Occupational License, Level 3.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

The next order of business concerned Administrative Hearings/ALJ Reports.

Member Pyatt moved **that the Board, having reviewed the administrative record, adopt the Findings of Fact and Conclusions of Law as stated in the recommendation of the Administrative Law Judge and deny the application of Christopher McFarland for a level 2 occupational license.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

Member Pyatt moved **that the Board, having reviewed the administrative record, adopt the Findings of Fact and Conclusions of Law as stated in the recommendation of the Administrative Law Judge and deny the application of Cleopatra Istephan for a level 2 occupational license.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

Member Pyatt moved **that the Board, having reviewed the administrative record, adopt the Findings of Fact and Conclusions of Law as stated in the recommendation of the Administrative Law Judge and revoke the level 3 occupational license of Susan Brooks.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

The next order of business concerned Complaints and Disciplinary Action.

Member Cudmore moved **that the complaint for disciplinary action against Cynthia Nelson be issued and that her license be revoked. The complaint involves Ms. Nelson's ineligibility due to a conviction of a crime involving dishonesty.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Member Cudmore moved **that the complaint for disciplinary action against Meredith Howard be issued and that her license be revoked. The complaint involves Ms. Howard's ineligibility due to her felony conviction.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Member Cudmore moved **that the complaint for disciplinary action against Cory Franklin be issued and that his license be revoked. The complaint involves Franklin's disorderly conduct while in the parking lot of the Empress River Casino-Joliet.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

The next order of business concerned Board Policy Discussion Items.

Administrator Belletire reviewed the background for the emergency Rule governing Supplier licenses.

Member Vickrey moved **that the Board approve the second notice submission of the proposed Board Rules 3000.240, 3000.241, 3000.242 and 3000.243 with the Joint Committee on Administrative Rules.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Mareile' Cusack stated that the Board had recently received a request from one of the Illinois licensees asking whether a certain entity falls within the Board's definition of a "Junketeer". The entity is an airline that would transport targeted patrons to Illinois casinos. The persons targeted would be known casino patrons with theoretical wins above a certain threshold. The owner licensee would prepay the airfare for each passenger who meets the theoretical win or it would provide the passenger with complimentary in an amount equal to the airfare. In addition, the casino would pay \$40 to the airline for each passenger brought to the casino, regardless of the patron's theoretical win or play.

Ms. Cusack stated that Illinois casinos for many years have used bus services to attract and transport patrons. It appears that some bus services may not operate substantially different from the airline service.

Ms. Cusack stated that the Act does not mention Junketeers. Board Rule 3000.100 defines a Junketeer as "[a] person or entity who is compensated depending on how much a patron either wages or loses or a determination by the holder of the Owner's license or Gaming Operation Manager as to the potential amount a patron will wager or lose." The airline scenario would fall under the second part of the definition. Rule 3000.200(b)(7) requires that Junketeers hold a Supplier's license. This results in a mandatory statutory annual license fee of \$5000 a year and, by Board Rule, an application fee of \$10,000.

Ms. Cusack stated that, with the increasing competition facing Illinois casinos, staff finds more owner licensees turning to fee-based services to attract patrons. While these relationships may not resemble the "classic Junketeers" that are directly compensated based upon how much a patron wagers or loses, they in many ways capture the essence of Junketeers. Ms. Cusack further stated that owner licensees would not continue using the contract services unless the patrons attracted wagered more than the fees paid to bring the patrons to the casino. Although compensation may not be percentage based, it is ultimately based upon how much the patrons wager or lose.

Ms. Cusack stated that there is still much to learn about these types of services, including the tour/bus services casinos regularly use, and suggested that the Board may wish to look at these relationships more closely.

Administrator Belletire discussed the options and implications of the Junketeer issue. He noted the contrasting approaches to regulating junketeers in Nevada and New Jersey. The Nevada approach entails only requiring those recruiting patrons to obtain occupational work permits. New Jersey has a more strict approach. Individuals who recruit any patron who receives \$200 or more in complimentary services must have an occupational license. A firm or entity operating as a junketeer must hold a New Jersey Supplier's license.

The Administrator asked for guidance from the Board.

Chairman Johnson expressed a concern that the current supplier license fee may prohibit interested parties from applying in Illinois. Owner licensees thus have limited opportunity to recruit patrons through intermediaries.

Chairman Johnson asked staff to draft for review at the December meeting, an amendment to Rule 3000.100 requiring the registration of Junketeers. He also asked staff to get industry reaction to this proposal.

Member Cudmore stated that he would like the amendment to contain some analysis on how the Board would discipline violations.

Chairman Johnson stated that staff continues to evaluate the utilization of ATMs and credit card withdrawals aboard casinos. He asked that staff circulate a letter to owner licensees with specific suggestions to which they can respond. Member Browder concurred with querying owners and further suggested that it may raise the question -- "Is this a matter for the legislature to be involved in?"

There being no further business to come before the Board, Member Browder moved **that the Board stand adjourned**. Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote and adjourned at 1:20 p.m.

Respectfully Submitted,

Susan A. Offord
Secretary of the Board